

Very simply what is happening now as illustrated by the Chart is:

Ky excludes Social Security from Taxation. I agree with this.

Ky ALSO excludes from EACH person up to \$41,110 in Retirement Benefits from Taxation. This is wrong.

The rich people do pay Ky tax under the current system.

The poor do not remotely pay even their subsidized fair share under the current system. Their life is tough enough already. This results in an extreme burden on the working population.

Today if I make \$100,000 Ky taxable income I will pay almost \$6,000 Ky Income Tax.

If I retire and make \$120,000 AGI for Federal purposes, none of it is taxable for Ky.

I can pay no Kentucky tax next year.

Thank you Kentucky. I am grateful. This is wrong. You will make less than me and you will pay Kentucky tax and I won't.

What the above tells you is:

I am not for working people. I am not against retired or poor people.

I am FOR all people.

The Working rich are paying their fair share.

The Working well off who DON'T have retirement are paying their fair share.

The Retired well off who HAVE substantial retirement and social security are paying nothing or next to it.

The Poor are paying their fair share - nothing or next to it. I don't want to tax them except for sales tax.

What I propose is SIMPLICITY AND FAIRNESS:

1) Adopt the Federal Income Tax rules automatically every year. No differences.

Federal Adjusted Gross Income is Kentucky's starting point for taxation.

2) Exclude only Social Security from Ky taxation. NO retirement income exclusion for ANYONE whatever the source.

3) Allow only 1 Schedule A itemized deduction - Medical expenses as defined for Federal Income Tax purposes.

Medical deductions are something you have almost no control over whatsoever.

The Standard Deduction will be \$10,000 and \$20,000 for singles & couples respectively, if you don't itemize Medical deductions.

4) Eliminate ALL Credits - Family Size Credits, Education Credits, Child & Dependent Care Credits, Rehab Credits, Energy & Film Credits, whatever.

5) Adopt a Flat Tax of 3.5% which is similar to Indiana.

6) Increase the Sales Tax to 7% which is similar to Indiana and Tennessee.

**BEFORE THE TAX STRUCTURE IS CHANGED ALL STATE & LOCAL
RETIREMENT PLANS MUST BE CHANGED.**

Do not change Kentucky income tax structure until the state pension obligation is converted into a 401-K retirement plan. Fix these together.

When pension plans were started the funds earned relatively stable and good returns on their investments.

That is no longer the case. The great recession wiped out pension plans viability and made the cost impossible to pay for due to reasons that were out of ANYONE'S control.

We can't afford pension plans because of their massive underfunding now.

We are now faced with pension obligations that are now unsustainable
NO MATTER HOW MUCH WE RAISE TAXES.

Our pension crisis has brought the state to it's knees financially.

Most taxpayers have to take care of their own retirement
and state and local employees must as well.

Most taxpayers have to take care of their own medical costs and insurance
and state and local employees must as well.

Most companies stopped offering pensions because of their vulnerability
to costs becoming uncontrollable.

Most companies converted their pension plans to 401-K plans
and the state and local governments must as well.

Why are state and local government employees entitled to pension plans
that 90% of taxpayers do not have?

WE elected and paid the legislators who paid the public employees
and created this crisis ourselves.

WE offered state and local workers benefits we did not and could not afford.

What the shame of these hearings is that this should have been handled years ago.

This was everyone's responsibility. In years past even before the recession
Kentucky failed to fund the pension plans.

Because the legislators failed to correct the problems when they could have,
they bear the responsibility of terminating these same pension plans.

So to all our leaders, please sit down and work this out. You have work to do.

Now as Kentuckians we all must pay for our mistakes.

Now as Kentuckians we all must pitch in and help and get the job done.